HEWLETT-PACKARD COMPANY
Intellectual Property Administration
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PATENT APPLICATION IFW

ATTORNEY DOCKET NO. 10006878 -1

AF/3621

IN THE
UNITED STATES PATENT AND TRADEMARK OFFICE

Inventor(s): Kevin G Currans et al

Confirmation No.: 9429

Application No.: 09/702254

Examiner: Mary Cheung

Filing Date: Oct 30, 2000

Group Art Unit: 3621

Title: Transaction Payment System

Mail Stop Appeal Brief-Patents
Commissioner For Patents
PO Box 1450
Alexandria, VA 22313-1450

TRANSMITTAL OF APPEAL BRIEF

Sir:

Transmitted herewith in **triplicate** is the Appeal Brief in this application with respect to the Notice of Appeal filed on **April 23, 2004**.

The fee for filing this Appeal Brief is (37 CFR 1.17(c)) $330.00.

(complete (a) or (b) as applicable)

The proceedings herein are for a patent application and the provisions of 37 CFR 1.136(a) apply.

( ) (a) Applicant petitions for an extension of time under 37 CFR 1.136 (fees: 37 CFR 1.17(a)-(d) for the total number of months checked below:

( )	one month	$110.00
( )	two months	$420.00
( )	three months	$950.00
( )	four months	$1480.00

( ) The extension fee has already been filled in this application.

(X) (b) Applicant believes that no extension of time is required. However, this conditional petition is being made to provide for the possibility that applicant has inadvertently overlooked the need for a petition and fee for extension of time.

Please charge to Deposit Account **08-2025** the sum of **$330.00**. At any time during the pendency of this application, please charge any fees required or credit any over payment to Deposit Account 08-2025 pursuant to 37 CFR 1.25. Additionally please charge any fees to Deposit Account 08-2025 under 37 CFR 1.16 through 1.21 inclusive, and any other sections in Title 37 of the Code of Federal Regulations that may regulate fees. A duplicate copy of this sheet is enclosed.

(X) I hereby certify that this correspondence is being deposited with the United States Postal Service as first class mail in an envelope addressed to: Commissioner for Patents, Alexandria, VA 22313-1450. Date of Deposit: **June 18, 2004**

OR

( ) I hereby certify that this paper is being transmitted to the Patent and Trademark Office facsimile number________ on ________

Number of pages:

Typed Name: **Timothy F. Myers**

Signature: Timothy F Myers

Respectfully submitted,

Kevin G Currans et al

By Timothy F Myers

Timothy F. Myers

Attorney/Agent for Applicant(s)

Reg. No. **42,919**

Date: **June 18, 2004**

Telephone No.: **541 715 4197**

Rev 05/04 (Aplbrief)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

In re application of:	Kevin G. Currens et al.	Art Unit: 3621
Examiner:	Cheung, Mary Da Zhi Wang	
Serial Number:	09/702,254	
Filed:	October 30, 2000	
Title:	TRANSACTION PAYMENT SYSTEM	
Date:	June 18, 2004	

APPEAL BRIEF UNDER 37 CFR §1.192

TO THE ASSISTANT COMMISSIONER FOR PATENTS:

Sir:

This Brief is submitted in triplicate in support of the Appeal in the above-identified application.

1. REAL PARTY IN INTEREST

The real party in interest is Hewlett-Packard Company. The assignee is Hewlett-Packard Development Company, LP, a Texas limited partnership and a wholly owned affiliate of Hewlett-Packard Company.

2. RELATED APPEALS AND INTERFERENCES

There are no related appeals or interferences.

3. STATUS OF THE CLAIMS

Claims 1-29 stand finally rejected by the Examiner as noted in the Final Office Action dated April 6, 2004.

4. STATUS OF AMENDMENTS

There have been no amendments filed subsequent to the Final Office Action.

5. SUMMARY OF THE INVENTION

A system and method for the exchange of micro-payments for privileged content is disclosed Figs 1-10. The system for the transaction of small transactional amounts when using merchantable content on a medium 152 includes a clearinghouse 36, an apparatus 40 having a medium handler 130, a merchantable content receiver 132, a medium identifier 134, a content identifier 136, a medium use mechanism 138, and a transmitter 142. The medium handler 130 accepts the medium 152 and the merchantable content receiver 132 accepts the merchantable content 172. The medium identifier 134 reads a first identifier 170 from the medium. The content identifier 136 reads a second identifier from the merchantable content 172. The medium use mechanism 138 incorporates and uses the merchantable content 172 with the medium 152. The transmitter 142 sends the first and second identifiers to the clearinghouse 36. The clearinghouse 36 has a first account 122 for a medium provider referenced by the first identifier 170 and a second account 124 for the content provider referenced by the second identifier. The clearinghouse 36 further includes an account manager 120 for transferring a royalty amount from the first account 122 to the second account 124 when the first and second identifiers are received.

This system and the methods disclosed provide for reduced transaction costs because the pre-payment amount does not require a separate account for each user to be set up. Further, the user is able to make an upfront purchase of medium 152 which includes the cost of using privilege content in the payment price without having to select the actual privileged content at that time. The medium use system allows for easy replication or use of the privilege content by providing for an authentication system when the medium with the medium identifier is used with the privileged content. When the privileged content is

used, the medium use apparatus transmits the medium identifier and an identifier of the privileged content to a clearinghouse for reconciliation of payment from the medium account to the content provider account. No information about the user needs to be transmitted, thus allowing for privacy of the user in the use of the privileged content (see page 3, line 20 to page 4 line 11).

6. ISSUES

- Did the Examiner properly reject claims 1-5 and 8-11 under 35 USC 101 because the claims represent abstract ideas that do not provide a practical application in the technological arts?
- Did the Examiner properly establish a case of *prima facie* obviousness, as required by *In re Lintner*[1], in rejecting claims 1-29 under 35 USC §103(a) over Downs et al.?

7. GROUPING OF THE CLAIMS

Applicants expressly state that the rejected claims do not rise or fall together as a single group. Applicants consider the following groups of claims to be separately patentable (for the purpose of appeal) for the reasons stated below in the Argument section:

Group	*Claims in Group*
I	Claims 1-4
II	Claims 5-6
III	Claim 7
IV	Claim 8
V	Claims 9-11
VI	Claims 12-20
VII	Claims 21-24
VIII	Claim 25
VIII	Claims 26-29

[1] *In re Lintner*, 458 F.2d 1013, 173 USPQ 560, 562 (CCPA 1972).

8. ARGUMENT

8A. Overview

Applicants are under no illusions that their invention is going to end up revolutionizing the field of electronic commerce. Nor will it result in a Nobel Prize of economics. Instead, Applicants invention as claimed covers a relatively simple but elegant concept: selling medium without privileged content at a price that includes a pre-payment amount that is credited to an account referenced by the media and not the consumer. When the consumer uses the media in a system incorporating the invention to use or replicate the privileged content, the system sends a medium identifier and a privileged content identifier to a clearinghouse to transfer a micro-payment from the medium account to the content provider's account.

In regards to claims 1-5 and 8-11, the Examiner has not properly applied the case law regarding proper subject matter under 35 USC 101, including the unpublished case the Examiner cited as support.

In claims 1-29, none of the art of record discloses, teaches, or suggests such a transaction payment system nor the methods claimed to provide such a system despite the Examiner's assertion that Downs et al. could be modified to do so. Instead, the Examiner relies solely on assertions without providing reasoned arguments on how one of ordinary skill in the art would make such a dramatic change in operation of Downs. In addition, the Examiner has ignored other important limitations in the claims which further distinguish the Applicants' invention over the art made of record. These errors have resulted in the failure, in a fairly spectacular fashion, of the Examiner's obligation to perform a duty of establishing a *prima facie* case of obviousness in making a rejection under 35 USC § 103.

8B. Did the Examiner properly reject claims 1-5 and 8-11 under 35 USC 101 because the claims represent abstract ideas that do not provide a practical application in the technological arts?

In Section 4 of the Final Office Action, the Examiner rejected claims 1-5 and 8-11 under 35 USC 101 because the "claims represent abstract ideas that do not provide a practical application in the technical arts." The Examiner stated that "there is no computer performing any steps; therefore Applicant is advised to embed a computer or process or module into these claims in order to overcome this rejection." Applicants respectfully traverse this rejection as not correctly stating the current case law regarding allowable subject matter as the claimed subject matter is not an abstract idea but a process that creates a useful, concrete, tangible result.[2] In Section 2 of the Final Action, the Examiner responded to Applicants' arguments and stated that the basis of the rejection is set forth in a two-prong test of:

(1) whether the invention is within the technological arts; and
(2) whether the invention produces a useful, concrete, and tangible result.

The Examiner concludes that "although the recited process produces a useful, concrete, and tangible result, since the claimed invention, as a whole, is not within the technological arts as explained above, claims 1-5 and 8-11 are deemed to be directed to non-statutory subject matter." The Applicants respectfully submit that their invention is within the technological arts. Regardless, Applicants respectfully traverse the Examiner's assertion that the two part test is actually the current law. The Examiner cited as support for the two prong test an unpublished Board of Patent Appeals and Interferences case, *Ex parte Bowman*[3]. Applicants respectfully submit that the Examiner has failed to properly reason the law as stated in Bowman to the facts in this case. Nevertheless, Applicants respectfully submit that it is improper to cite an unpublished case as it is not binding precedent, particularly such as in this case

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[2] *State Street Bank and Trust Co. v Signature Fin. Group, Inc.*, 149 F.3d 1368, 1374-75, 47 USPQ2d 1596, 1602 (Fed. Cir. 1998).
[3] 61 USPQ2d 1665, 1671 (BD. Pat. App & Inter. 2001).

where the facts are not on the "four corners"[4] and where the Supreme court and the Federal Circuit have made it clear that "technological arts" is not a requirement, particularly for a process patent claim[5].

<u>8B(a) Whether the Invention is within the "technical arts"</u>

Applicants respectfully submit that their claimed invention is within the "technological arts" contrary to what the Examiner is asserting. Applicants have disclosed a micro-payment system that is used with a clearinghouse to transfer small funds to make distribution of protected content economically efficient. For instance, in claim 1, Applicants are claiming a process "of supplying *medium* having *an identifier* for the collection of *transactional amounts* incurred in using *privileged content*" with the steps of "*selling* the medium at a price which includes *a pre-payment amount*" and "*sending* the pre-payment amount to *a clearinghouse account* referenced by said identifier." The Examiner states that "*claims 1-5 and 8-11 only recite an abstract idea. The recited steps of selling medium and charging the usages of content do not apply, involve, use, or advance the technological arts since all the recited steps can be performed in the mind of the user or by use of a pencil and paper.*" Applicants respectfully traverse this statement as it is evident that "supplying medium having an identifier" and the "collection of transactional amounts" are not mental activities but physical actions. Further, "using privileged content" requires more than an mental activity. "Selling the medium" is also not a mental step nor is "sending the pre-payment amount to a clearinghouse account." These physical limitations and steps result in a transformation[6] of the sale of medium to a transfer of a partial payment of the sale price to a clearinghouse which requires a medium that has an identifier, an identification of a transactional amount, the anticipated use of privilege content, the sale of the medium, and the transfer of the pre-payment amount to a clearinghouse account that is referenced by the identifier on the medium. This solves a technical problem of efficiently collecting small royalty amounts, requires physical and thus technological steps and thus fall within the "technical arts."

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[4] *ex parte Holt*, 19 USPQ.2d (BNA) 1211 (BD. Pat. App & Inter. 1991).
[5] *AT&T Corp v. Excel Communications Inc.*, 172 F.3d 1352, 50 USPQ.2d 1447 (Fed. Cir. 1999).
[6] *Diamond v. Diehr*, 450 U.S. 175, 192; 101 S.Ct 1048, 1054; 67 L.Ed.2d 155, 163 (1981).

8B(b) Whether the "technical arts" requirement is part of current law

The USPTO in a Request for Comments on the International Effort to Harmonize the Substantive Requirements of Patent Laws[7] states:

> The United States currently provides a test of whether the invention is within one of the statutory categories of 35 USC 101 and within the "useful arts" as expressed in the United States Constitution. The "useful art" test requires that the claimed invention have a practical application providing a "useful, concrete, and tangible result," see *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998). In contrast, the patent laws of some countries require that the invention provide a "technical contribution" in order to be eligible to be patented. The "technical contribution" requirement is generally considered to be more restrictive in determining what inventions may be patented.

Thus, the USPTO understands that there is no "technological arts" requirement for a US patent in current case law but "useful arts". The Supreme Court stated that unless otherwise defined, "word will be interpreted as taking their ordinary, contemporary, common meaning," and in dealing with the patent laws courts should not "read into the patent law limitations and conditions which the legislature has not expressed.[8] "That a process may be patentable, irrespective of the particular form of the instrumentalities used, cannot be disputed," the Court asserted and further held that "[t]ransformation and reduction of an article 'to a different state or thing' is the clue to the patentability of a process claim that does not include particular machines."[9] Therefore, there is no "technological arts" requirement as the Examiner is asserting but only "useful arts."

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[7] 66 FR 15409, March 19, 2001.

[8] *Diamond v. Diehr*, 450 U.S. 175, 181; 101 S.Ct 1048, 1054; 67 L.Ed.2d 155, 163 (1981) (citing *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)).

[9] *Id.*

8B(c) Whether it is improper to cite an unpublished case

As explained in *ex parte Holt*[10], the Board of Patent Appeals and Interferences noted which precedents are considered binding in PTO.

> Unpublished Board opinions, except as they may be the "law of the case", may not be binding precedent, since the opinions are often fact driven by the specific facts presented in the appeal before the Board. Unless the facts in a succeeding case are "on all fours" with or substantially the same as the facts in the preceding appeal, generally, the opinion in the preceding unpublished appeal decision may not be controlling in a succeeding appeal. Of course, previously decided points of law must be followed unless overruled, and the application of the law to particular facts must be consistent from case to case.

The Applicants' facts in this case are not on "all fours" with the cited *ex parte Bowman* case by the Examiner. Nor is the same result reached when the law as stated in the Bowman case is applied to the facts of Applicants' application. For instance, in *Bowman*, the Applicant "carefully avoided tying the disclosed and claimed invention to any technological art or environment." In *Bowman*, the issue was one of whether an abstract thought and analysis simply recorded was patentable without a statement of any specific apparatus in the specification or the claims. Contrarily, in the instant Application, the Applicants have described the use of a computer and networks and databases as one embodiment of the invention. The Applicants have provided claims to this particular embodiment but has also provided claims to broader methods of performing the described steps. The Federal Circuit in *AT&T* stated that they and their predecessor court (the CCPA) has struggled to make their understanding of the scope of Section 101 responsive to the needs of the modern world.[11] In *Bowman*, the Board stated that the claimed invention was not the product of the "modern world" since there was not involvement of the traditional sciences there can be no advancement of the "useful arts." In the instant Application, the micro-payment system was described as operating on a computer and network (Internet) which are part of the "modern world." *Bowman* states that "[w]hile *AT&T* clarifies that structure need not be present in the claim

[10] 19 USPQ.2d (BNA) 1211.

[11] *AT&T Corp v. Excel Communications Inc.*, 172 F.3d 1352, 50 USPQ.2d 1447 (Fed. Cir. 1999).

language for process claims to be directed to statutory subject matter, the Court appears to impliedly weigh that the process is carried out by a network of computers and telephone switches being used in the flow of communications, but [*Bowman* does] not have a similar factual situation." Applicants' factual situation is very similar to *AT&T* in that it describes networks of computers used in the flow of communications unlike *Bowman*.

However, the electrical computer is only one type of computational instrument and the Internet or networks in general are only one form of communication. Further developments such as with Quantum computing or new communications such as with entangled particles may be in new apparatus which would perform the claimed steps of the process. These new apparatuses would encompass the future "modern world." In the current "modern world" there are several forms of communication channels which are not networks per se but would still fall within acceptable subject matter. In his concurring opinion in *Bowman*, Judge Dixon stated that he agreed "that the development of the information era has pushed the envelop of statutory subject matter to embrace the technological advancement and immense flexibility of the computer software-based inventions . . ." In this case, the Applicant is merely seeking claims that are independent of the hardware used to achieve its utility yet it is still tied to the micro-payment environment which requires computation and communication with a clearinghouse that is more than what a human is able to do mentally in their head and then recording them as claimed by *Bowman*. Therefore, the factual situation in the instant case is not "on all fours" with *Bowman*. Indeed, the law of *Bowman*, when applied to the Applicants' factual situation produces an outcome that places the claimed process within statutory subject matter under USC 101, not outside as the Examiner asserts.

Withdrawal of the rejection under 35 USC 101 for claims 1-5 and 8-11 is respectfully requested.

8C. Did the Examiner properly establish a case of *prima facie* obviousness, as required by *In re Lintner*[12], in rejecting claims 1-29 under 35 USC §103(a) over Downs et al.?

In Section 7 of the Final Office Action, the Examiner rejected claims 1-29 under 35 USC 103(a) as being unpatentable over Downs, et al. (hereafter Downs). Applicants respectfully traverse this rejection. For instance, Downs does not disclose, teach or suggest Applicants' claimed invention of transferring a royalty amount from an account that references the media (and not the purchaser) to the content provider's account. In Section 2 of the Final Action, the Examiner stated that the Applicants' arguments filed January 13, 2004 were considered, but were not persuasive. Applicants respectfully submit that the Examiner has not fully understood the Applicants' invention and how it differs from that disclosed in Downs nor has the Examiner provided a reasoned argument for how Downs could be modified by one of ordinary skill in the art to create Applicants' claimed invention. The Examiner is using Applicants' claims as templates to pick, choose, and modify portions of Downs without considering Applicants' "invention as a whole."

As stated in *In re Lintner*[13] a prima facie case of obviousness requires the PTO to "ascertain whether or not the reference teachings would appear to be sufficient for one of ordinary skill in the relevant art having the references before him to make the proposed substitution, combination or other modification." "To reach a proper conclusion under §103, the decision maker must step backward in time and into the shoes worn by that "person" when the invention was unknown and just before it was made. In light of all the evidence, the decision maker must then determine whether the . . . claimed invention as a whole would have been obvious at that time to that person."[14] Further, "Obviousness under 35 USC 103 ((1982) & Supp. III 1985) is a legal issue, the determination of which involves factual inquires into (1) the scope and content of the prior art, (2) the

[12] *In re Lintner*, 458 F.2d 1013, 173 USPQ 560, 562 (CCPA 1972).
[13] 173 USPQ 560, 562 (CCPA 1972).

level of ordinary skill in the art, (3) the differences between the claimed invention and the prior art, and (4) any objective evidence of non obviousness, such as long felt need, commercial success, failures of others."[15] The Applicants believe the Examiner has failed to perform such a factual inquiry and has inappropriately used Applicants' claimed invention as a template to make the various §103 combinations.

In addition, the Applicants believe that the Examiner has failed to consider Applicants' invention and indeed the references 'as a whole.' As stated by the Federal Circuit, "the claimed invention must be considered as a whole, and the question is whether there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination."[16]

Applicants believe that the Examiner may be not be considering all of the reasoning that has been presented to demonstrate the different benefits between the invention and the cited art that have been long sought, but instead is simply looking at how it differs from the prior art references. "It is to be noted that simplicity and hindsight are not proper criteria for resolving the issue of obviousness."[17] "Furthermore, it is well settled that where the claimed invention solves a problem, the discovery of the source of the problem and its solution are considered to be part of the "invention as a whole" under 35 USC 103."[18] What's more, the Examiner has not considered all that the prior art Downs reference teaches and instead has chosen to select individual components of Downs' processes without looking at all that is taught, including those limitations that teach away from Applicants' invention. "[P]rior art references before the tribunal must be read as a whole and consideration must be given where the references diverge and teach away from the claimed invention. . . . Moreover, appellants cannot pick and choose among individual parts of assorted prior art

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[14] *Panduit Corp. v. Dennison Manufacturing Co.*, 1 USPQ 2d 1593, 1595-96 (Fed. Cir.), cert. denied, 481 U.S. 1052 (1987).

[15] *Allen Archery Inc. v. Browning Manufacturing Co.*, 2 USPQ.2d 1490, 1493 (Fed. Cir. 1987).

[16] *Lindemann Maschinenfabrik GmbH v. American Hoist & Derrick Co.*, 221 USPQ 481, 488 (Fed. Cir. 1984)

[17] *Ex parte Clapp*, 227 USPQ 972, 973 (B.P.A.I. 1985).

[18] *Ex parte Hiyamizu*, 10USPQ.2d 1393, 1394-95 (BPAI 1988).

references "as a mosaic to recreate a facsimile of the claimed invention."[19] Again, the Examiner has failed to look at Applicants' claimed invention as a whole but merely looked at what was different between the Applicants' claimed invention and the cited Downs reference.

In regards to claims 1 and 21, the Examiner states that "Downs teaches a method of supplying medium having an identifier for the collection of transactional amounts incurred in using privileged content, comprising the steps of: selling the medium at a price includes a payment amount; sending the payment amount to a clearinghouse referenced by said identifier (col. 9, lines 56-62, col. 11 lines 40-52, and col. 41, lines 14-20). The Examiner then states that "Downs does not specifically teach the selling price includes a pre-payment amount. However, the payment amount in Down's teaching has to be authenticated before allowing the user to using the privileged content (column 18 lines 20-57). In addition, Downs teaches using different financial models to distribute the privileged content (column 12 lines 36-48). It would have been obvious .. . to allow the selling price in Down's teaching to include a pre-payment amount for better ensuring the royalty payment to the content provider." Applicants respectfully traverse the Examiner's reasoning. It is the inclusion of the pre-payment amount to the *price of the unused media* (not the price of the privileged content as with Downs) without the privileged content that distinguishes Applicants micro payment system from others. Just because Downs uses a savings clause that "different financial models" can be used does not make the Applicants invention obvious, it must explicitly teach or disclose Applicants' claimed invention. "The mere fact that references can be combined or modified does not render the resultant combination obvious unless the prior art suggest the desirability of the combination" (see MPEP 2143.01). Further, Downs does not suggest the desirability of using an account that identifies the unused media to pay the content provider but rather "the purchaser" of the privileged content. The Examiner's statement that "*the payment amount in*

[19] *Akzo N.V. v. United States International Trade Commission*, 1 USPQ.2d 1241, 1246 (Fed. Cir 1986), cert. denied, 482 U.S. 909 (1987).

Down's teaching has to be authenticated before allowing the user to using the privileged content" illustrates that Downs *teaches away* from Applicants' invention. Applicant doesn't authenticate payment before allowing the user to use the privilege content, but rather teaches verifying that proper media is being used and if so, allowing the user to use the privileged content with the media, and then sends the clearinghouse two identifiers that transfer a micro-payment from the media account to the content providers account. In Downs' case, the content provider already has payment as the purchase occurs before content is downloaded. The clearinghouse just checks to verify that a payment has previously occurred before allowing the user to use the privileged content.

The Examiner in response has stated that a pre-payment feature is widely used such as pre-paid phone cards, pre-ordering merchandise, etc. However, Applicants are claiming that the pre-payment amount is an additional payment that is included with the purchase price of the unused media. The pre-payment amount is not for the unused media itself but is placed in a fund that is identified by the media which later will be used to credit the actual content provider that provides the privileged content that is selected by a user to be used with the media. There is no need to keep track of the identity of the purchaser of the media as in Downs (see col.79 lines 4-20 in which watermarking instructions included in the License SC of the privilege content include the purchaser's name). Again, Downs teaches away from Applicants' invention.

Applicants previously amended claim 1 to more clearly distinguish and define their invention over the cited references. For instance, claim 1 now reads:

> 1. A method of supplying medium having an identifier for the collection of transactional amounts incurred in using privileged content, comprising the steps of:
> selling the medium *without the privileged content* at a price which includes a pre-payment amount;
> sending the pre-payment amount to a clearinghouse account referenced by said identifier.

The additional limitation of selling the medium "without the privileged content" is not disclosed by Downs. Downs describes selling a medium with the

privileged content on it and various methods of receiving payment. Applicants alternatively sell the medium (in blank form) and charge for future privileged content (without knowing what the future content is, or who will provide the privileged content) and sends this pre-payment amount to a clearinghouse with an identifier for the medium. This up-front charge is unique in that it allows for the user to include the future cost of the privilege content at the time of purchase of the medium while retaining the right to select which privileged content to use later. This claimed combination in claims 1 and 21 are not disclosed, taught, or suggested by the art made of record and is in direct conflict with the teaching of Downs which requires purchase of privilege content before it can be used.

In Section 2 of the Final Action, the Examiner stated that "*in response to the Applicants' argument that Downs does not teach 'without the privileged content', Downs teaches the medium (item 640 of Fig. 6) is sold to the user (item 609 of Fig. 6) without the digital content (item 630 in Fig. 6).*" Applicants respectfully traverse this statement. Applicants are selling unused medium to the customer without any privileged content at an additional price that includes "a pre-payment amount" that will compensate for use of the privilege content when it is used with the medium in the future. The' item 640' the Examiner is referring to in Downs is not a medium that uses the privileged content but rather is a "transaction SC" which is just an electronic tag that is downloaded to the End-User Device 109 that includes a unique transaction ID, the purchaser's name, a public key for the End-User Device and the Offer SC (see col. 22, lines 45-59). This "transaction SC" is not medium that is sold "without the privileged content" as Applicants are claiming but rather is just an authentication record that a transaction has taken place and stored in the End-User device. Thus, Downs does not disclose, teach, or suggest Applicants' claimed invention.

In Section 2 of the Final Action, the Examiner stated that "*in response to the Applicants' argument that the first identifier or the first account in Down's teaching is purchaser's account not an account that identifies the media as claimed, the Examiner respectfully disagrees because the clearinghouse 105 in Down's teaching handles the financial transactions (col. 11 lines 40-50) and*

receives the identifier (item 650 in Fig. 6) that identifies the media." Applicants respectfully traverse the Examiners reasoning. First, Downs does not disclose a medium but rather an End-User device that uses the privileged content. Item 650 in Fig. 6 is an "Order SC" which is used by the End-User Device along with the "Transaction SC" to request a license from the Clearinghouse (see col. 22, lines 60-64). This "Order SC" is not an identifier of the medium, but rather contains the symmetric key, store usage conditions, encrypted transaction data, and the encrypted Application ID of the End-User Device. Thus, Downs is not disclosing Applicants' step of "sending *the pre-payment amount* to a clearinghouse account referenced by said identifier" of the medium. The payment for the privileged content in Downs has already occurred, Downs is merely providing a authorization protocol as to whether or not the End-user device can use the privileged content (see col. 22, lines 45-49). There is no "pre-payment amount" included in the "Order SC." Further, Applicants' claimed method "as a whole" for claim 1 (and claim 21) is not performed by the End-user Device, but by the supplier of the medium. The supplier sells the medium (with an identifier) without the privileged content at a price that includes the pre-payment amount and then sends the pre-payment amount to a clearinghouse account referenced by the identifier of the medium. These steps in combination are not performed by the End-user device as the Examiner is asserting by using the example disclosed in Downs. Rather the Examiner is picking and choosing particular elements in Applicants' claimed invention that are performed by different parties in Downs, and rearranging them based on a template of Applicants' claimed invention. Accordingly, Downs does not disclose, teach or suggest Applicants claims 1 and 21.

Claims 2-4 and 22-24 are dependent on claims 1 and 21, respectively, and are believed patentable based at least on the patentability of their respective parent claim.

Claims 2 and 24 are believed separately patentable as Downs does not disclose that the medium is consumable but rather that the privilege content is consumable.

Claims 3 and 23 are believed separately patentable as Downs does not disclose "confirming that the medium has been sold before sending the prepayment amount" but rather that the Content 113 has been sold. Applicants are claiming that the medium is sold without the privileged content and thus Downs does not disclose, teach, or suggest Applicants' limitation found in claims 3 and 23.

Claims 4 and 24 are believed separately patentable over Downs as Downs discloses selling medium with the content. Conversely, Applicants are claiming that the medium without the privileged content is sold. Accordingly, Downs does not disclose, teach, or suggest Applicants limitations found in claims 4 and 24.

Similarly for claim 5 (and claim 25), the Examiner states that "Downs does not explicitly state said royalty amount is transferred to said first account" but that it would be obvious "to allow the royalty amount to be transferred to the first account or the privilege content provider account as soon as the purchase is properly identified because this would accelerate the royalty payment to the content provider." However, the Applicants believe the Examiner does not recognize that the first account is not the "purchaser's account" but an account that identifies the media. It is the transfer of a royalty payment from the media account to the content provider's account that is precisely the benefit that the Applicants' invention over the prior art. That is, by having a second account set up which has been created by the sale of unused media, there is money available at the clearinghouse to be instantly transferred to the content provider when his merchantable content is used, thus reducing transaction costs. This is a far better system than that described in Downs which uses traditional payment (which must be large enough to cover transaction costs) by the user at the time

the content is purchased and then requiring a cumbersome authorization (licensing) protocol each time the content is used.

Applicants previously amended claim 5 to more clearly define and distinguish their invention over Downs. Claim 5 now reads:

> 5. A method of providing for the collection of royalty payments for privileged content, comprising the steps of:
> providing an first identifier and a royalty amount to a clearinghouse to establish a first account referenced by said first identifier;
> receiving a key which corresponds to said first identifier;
> combining said key with the privileged content thereby creating a merchantable content; and
> making the merchantable content available to at least one other person wherein when the merchantable content is *used on a medium*, the key and a second identifier *identifying the medium* are provided to the clearinghouse and wherein the clearinghouse using the key to identify the first account and the royalty amount transfers a quantity of money equal to the royalty amount from a second account referenced by said second identifier to said first account.

Thus, it is when the merchantable content is used on the medium that the key and the second identifier which identifies the medium are provided to the clearinghouse to transfer money from the second account identified by the medium to the first account. These limitations are not disclosed, taught, or suggested by Downs. Downs teaches that the funds are transferred from the purchaser to the Electronic Digital Content Store 103 at the time of selection of the privileged content (col. 21, line 57 to col. 22 line 8). The Electronic Digital Content Store then transfers the funds to the Content providers. Downs as modified by the Examiner would transfer funds from a second account identified *by the purchaser and not the media* to the first account. Accordingly claims 5 and 25 are believed patentable over the art made of record.

Claim 6 is dependent on claim 5 and is believed patentable based on the patentability of claim 5.

Claim 7 had been similarly amended to more clearly define and distinguish Applicants' invention over Downs. Claim 7 now reads:

7. A method of providing merchantable content having privileged content and a key to a user of the merchantable content, comprising the steps of:
providing a directory of merchantable content containing at least one merchantable content source to the user; and
allowing the user to download said at least one merchantable content source wherein said key represents a *first* identifier for an account for the owner of the privilege content such that use of the merchantable content *on a medium* causes *a second identifier for an account for the medium to be transferred to a clearinghouse to allow* a royalty payment to be transferred *from the account for the medium* to said account *for the owner of the privilege content.*

Thus, it is the transfer from an account associated to the medium and not the owner that is transferred. This limitation is not disclosed, taught or suggested by Downs as Downs as modified by the Examiner would transfer money from the user(purchaser) and not the media to the owner of the privilege content. Claim 7 is believed patentable over the art made of record.

Similarly, Claim 8 (and 26) had been amended to more clearly define and distinguish Applicants' invention over Downs. Claim 8 now reads:

8. A method of providing a clearinghouse for the exchange of transactional amounts, comprising the steps of:
receiving a first identifier *for a medium* from a first party;
creating an first account for the first party referenced by said first identifier;
receiving a second identifier from a second party and a royalty amount representing the cost of using a privileged content;
creating a second account for said second party referenced by said second identifier;
providing a key to said second party;
receiving a transaction including the key and said first identifier *when the medium is used with the privileged content;*
using said key to identify said second account; and
transferring the royalty amount from said first account to said second account.

Thus, claim 8 allows the clearing house to transfer the royalty amount not from the purchaser's or user's account but one that is established based on an identifier of the media to the content provider's account (the second account). This limitation is not disclosed, taught, or suggested by Downs. Accordingly, claims 8 and 26 are believed patentable over the art made of record.

Similarly, claim 9 (and claim 27) had been amended to more clearly define and distinguish over Downs. Claim 9 now reads:

> 9. A method of using a merchantable content, comprising the steps of:
> receiving the merchantable content;
> retrieving a first identifier from a medium *that references the medium*;
> using said merchantable content with said medium wherein the payment of a royalty amount is incurred by the use of the merchantable content;
> retrieving a key from said merchantable content; and
> transmitting said key and said first identifier to a clearinghouse wherein the royalty amount is transferred from a first account referenced by said first identifier to a second account referenced by said key.

Thus, claim 9 now states that the first identifier "references the medium" and not the purchaser and thus the royalty amount that is transferred from the first account to the second account (the content provider's account) is from the medium's account. This limitation is not disclosed, taught, or suggested by Downs. Claims 9 and 27 are believed patentable over the art made of record.

Claims 10 and 28 are dependent on claim 9 and claim 27, respectively , and are believed patentable based at least on the patentability of their respective parent claims.

Claims 11 and 29 are believed patentable over Downs as previously discussed for claims 1 and 9 (and 21 and 28). In claim 11, it is the transfer of the amount from an account referenced by the medium (and not the purchaser's

account) that is transferred to the content providers account which is not disclosed, taught, or suggested by Downs.

Claim 12 includes the limitation of where the account manager is capable of transferring a royalty amount from the first account (of a medium provider) to a second account (the content provider). Downs as modified by the Examiner would transfer money from the purchaser's account to the content provider's account. Downs does not disclose, teach or suggest having the clearing house having an account for the "medium provider" as Applicants are claiming. It is the ability to execute small transactions related to the media (and not the purchaser) to the content provider that distinguishes Applicants' invention from that disclosed in Downs. Claim 12 is believed patentable over the art made of record.

Claims 13, 14, 15, 16 are dependent on claim 12 are believed patentable based at least on the patentability of claim 12.

Claim 17 is believed patentable for the reasons described above with respect to claim 12.

Claims 18, 19 and 20 are dependent on claim 17 are believed patentable based at least on the patentability of claim 17.

Claims 21-29 correspond to claims 1-5 and 8-11, respectively, but have the additional limitations of operating over a network. These claims are believed to rise and fall separately from claims 1-5 and 8-11 due to their not being subject to the 35 USC 101 rejection. However, claims 21-29 are believed patentable over the 35 USC 103 rejections based on the previous reasons given for the respective counterpart claims

Removal of the rejection under 35 USC 103(a) and allowance of claims 1-20 is respectfully requested.

9. Conclusion

The Examiner erred in failing to properly apply the current law in regards to proper subject matter in rejecting claims 1-5 and 8-1 under 35 USC 101. Also, the Examiner erred in failing to establish a case of *prima facie* obviousness in rejecting claims 1-29 under 35 USC § 103 over Downs. Applicants respectfully request reversal of these rejections from the Board of Patent Appeals and Interferences, along with timely issuance of a notice of allowance indicating that claims 1-29 are allowed.

Applicants will defer their decision as to whether or not to request oral argument until after receipt of the Examiner's Answer to this Appeal Brief. If after reviewing this Appeal Brief the Examiner believes that an interview would be helpful in resolving this matter, Applicants' Attorney would be amenable to participating in such an interview at the Examiner's convenience.

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APPENDIX

Claim Listing

1. A method of supplying medium having an identifier for the collection of transactional amounts incurred in using privileged content, comprising the steps of:

selling the medium without the privileged content at a price which includes a pre-payment amount;

sending the pre-payment amount to a clearinghouse account referenced by said identifier.

2. The method of claim 1 wherein said medium is consumable.

3. The method of claim 1 further comprising the step of confirming that the medium has been sold before sending the pre-payment amount.

4. The method of claim 1 wherein said medium is a member of the class of consumable articles consisting of paper, vellum, film, mylar, audio tapes, video tapes, recordable compact discs, mini-discs, zip disks, floppy disks, batteries, ink-jet print cartridges, toner cartridges, or print ribbons.

5. A method of providing for the collection of royalty payments for privileged content, comprising the steps of:

providing an first identifier and a royalty amount to a clearinghouse to establish a first account referenced by said first identifier;

receiving a key which corresponds to said first identifier;

combining said key with the privileged content thereby creating a merchantable content; and

making the merchantable content available to at least one other person wherein when the merchantable content is used on a medium, the key and a second identifier identifying the medium are provided to the clearinghouse and wherein the clearinghouse using the key to identify the first account and the royalty amount transfers a quantity of money equal to the royalty amount from a second account referenced by said second identifier to said first account.

6. The method of claim 5 wherein the step of combining said key with the privileged content includes the step of encrypting said privilege content with said key to create said merchantable content.

7. A method of providing merchantable content having privileged content and a key to a user of the merchantable content, comprising the steps of:

providing a directory of merchantable content containing at least one merchantable content source to the user; and

allowing the user to download said at least one merchantable content source wherein said key represents ~~an~~ first identifier for an account for the owner of the privilege content such that use of the merchantable content on a medium causes a second identifier for an account for the medium to be transferred to a clearinghouse to allow a royalty payment to be transferred from the account for the medium to said account for the owner of the privilege content.

8. A method of providing a clearinghouse for the exchange of transactional amounts, comprising the steps of:

receiving a first identifier for a medium from a first party;

creating an first account for the first party referenced by said first identifier;

receiving a second identifier from a second party and a royalty amount representing the cost of using a privileged content;

creating a second account for said second party referenced by said second identifier;

providing a key to said second party;

receiving a transaction including the key and said first identifier when the medium is used with the privileged content;

using said key to identify said second account; and

transferring the royalty amount from said first account to said second account.

9. A method of using a merchantable content, comprising the steps of:

receiving the merchantable content;

retrieving a first identifier from a medium that references the medium;

using said merchantable content with said medium wherein the payment of a royalty amount is incurred by the use of the merchantable content;

retrieving a key from said merchantable content; and

transmitting said key and said first identifier to a clearinghouse wherein the royalty amount is transferred from a first account referenced by said first identifier to a second account referenced by said key.

10. The method of claim 9 further comprising the steps of:

determining that a valid first identifier is received; and

if not received, then preventing the step of using said merchantable content.

11. A method of using merchantable content having a key, comprising the steps of:

purchasing medium having a first identifier, wherein the purchase price includes a pre-payment amount;

retrieving the merchantable content;

using the merchantable content with the medium wherein a royalty payment is incurred, and wherein the use of the merchantable content causes the transmission of the key and the first identifier to a clearinghouse where the royalty payment is transferred from a first account referenced by the first identifier to a second account reference by the key.

12. A system for the transaction of transactional amounts, comprising:

an apparatus for using a merchantable content with a medium, said apparatus including,

a medium handler capable of accepting the medium,

a merchantable content receiver capable of accepting the merchantable content,

a medium identifier coupled to said medium handler capable of reading a first identifier from the medium,

a content identifier coupled to said merchantable content receiver capable of reading a second identifier from the merchantable content,

a medium use mechanism capable of using the merchantable content with the medium, and

a transmitter coupled to said medium identifier and said content identifier capable of transmitting sending first and second identifiers; and

a clearinghouse coupled to said transmitter, said clearinghouse including,

a first account for a medium provider,

a second account for a content provider, and

an account manager capable of transferring a royalty amount from said first account to said second account.

13. The system of claim 12 wherein said transmitter includes circuitry capable of using the Internet.

14. The system of claim 12 wherein said transmitter includes circuitry using a wireless communication link.

15. The system of claim 12 wherein said apparatus further includes:

a verifier circuit coupled to said medium identifier, said verifier capable of detecting that said first identifier is received; and

a disabler circuit coupled to said verifier circuit and said medium use mechanism wherein if said first identifier is not received said disabler circuit is capable of preventing said medium use mechanism from operating.

16. The system of claim 12, wherein said medium use mechanism includes a decryption circuit coupled to said merchantable content receiver and said merchantable identifier capable of decrypting the merchantable content with said second identifier before using the merchantable content with the medium.

17. An apparatus for automatic payment of royalties incurred when using a merchantable content with a medium, comprising:

a medium handler capable of accepting the medium;

a merchantable content receiver capable of accepting the merchantable content;

a medium identifier coupled to said medium handler capable of reading a first identifier from the medium;

a content identifier coupled to said merchantable content receiver capable of reading a second identifier from the merchantable content;

a medium use mechanism capable of using the merchantable content with the medium; and

a transmitter coupled to said medium identifier and said content identifier capable of transmitting sending first and second identifiers to a clearinghouse wherein a royalty amount for using said merchantable content is transferred from a first account referenced by said first identifier to a second account referenced by said second identifier.

18. The apparatus of claim 17, further comprising:

a verifier circuit coupled to said medium identifier, said verifier capable of detecting that said first identifier is received; and

a disabler circuit coupled to said verifier circuit and said medium use mechanism wherein if said first identifier is not received said disabler circuit is capable of preventing said medium use mechanism from operating.

19. The apparatus of claim 17, wherein said medium use mechanism includes a decryption circuit coupled to said merchantable content receiver and said merchantable identifier capable of decrypting the merchantable content with said second identifier before using the merchantable content with the medium.

20. The apparatus of claim17 wherein said apparatus is a device from the group consisting of computers, printers, plotters, video cassette recorders, cassette players, MP3 players, compact disk players, floppy drives, zip drives, and fax machines.

21. A method of supplying medium having an identifier for the collection of transactional amounts incurred in using privileged content, comprising the steps of:

selling the medium without the privileged content at a price which includes a pre-payment amount;

sending the pre-payment amount over a network to a clearinghouse account referenced by said identifier.

22. The method of claim 21 wherein said medium is consumable.

23. The method of claim 21 further comprising the step of confirming that the medium has been sold before sending the pre-payment amount.

24. The method of claim 21 wherein said medium is a member of the class of consumable articles consisting of paper, vellum, film, mylar, audio tapes, video tapes, recordable compact discs, mini-discs, zip disks, floppy disks, batteries, ink-jet print cartridges, toner cartridges, or print ribbons.

25. A method of providing for the collection of royalty payments for privileged content, comprising the steps of:

providing an first identifier and a royalty amount over a network to a clearinghouse to establish a first account referenced by said first identifier;

receiving a key over the network which corresponds to said first identifier;

combining said key with the privileged content thereby creating a merchantable content; and

making the merchantable content available to at least one other person wherein when the merchantable content is used on a medium, the key and a second identifier identifying the medium are provided to the clearinghouse over the network and wherein the clearinghouse using the key to identify the first account and the royalty amount transfers a quantity of money equal to the royalty amount from a second account referenced by said second identifier to said first account.

26. A program product for providing a clearinghouse for the exchange of transactional amounts, the program product comprising machine readable program code for executing the steps of:

receiving a first identifier for a medium from a first party;

creating an first account for the first party referenced by said first identifier;

receiving a second identifier from a second party and a royalty amount representing the cost of using a privileged content;

creating a second account for said second party referenced by said second identifier;

providing a key to said second party;

receiving a transaction including the key and said first identifier when the medium is used with the privileged content;

using said key to identify said second account; and

transferring the royalty amount from said first account to said second account.

27. A method of using a merchantable content, comprising the steps of:

receiving the merchantable content over a network;

retrieving a first identifier from a medium that references the medium;

using said merchantable content with said medium wherein the payment of a royalty amount is incurred by the use of the merchantable content;

retrieving a key from said merchantable content; and

transmitting said key and said first identifier to a clearinghouse over the network wherein the royalty amount is transferred from a first account referenced by said first identifier to a second account referenced by said key.

28. The method of claim 27 further comprising the steps of:

determining that a valid first identifier is received; and

if not received, then preventing the step of using said merchantable content.

29. A method of using merchantable content having a key, comprising the steps of:

purchasing medium having a first identifier, wherein the purchase price includes a pre-payment amount;

retrieving the merchantable content over a network; and

using the merchantable content with the medium wherein a royalty payment is incurred, and wherein the use of the merchantable content causes the transmission of the key and the first identifier over the network to a clearinghouse where the royalty payment is transferred from a first account referenced by the first identifier to a second account reference by the key.